

**Review of Superfund Special Account
Reclassifications, Transfers to the Superfund Trust
Fund, and Account Closures
from FY 2009 through FY 2014**

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I. INTRODUCTION

As part of the Fiscal Year (FY) 2015 Federal Managers' Financial Integrity Act (FMFIA) process, the Office of Superfund Remediation and Technology Innovation (OSRTI) conducted a review of planned and completed special account reclassifications, transfers of special account funds to the general portion of the Superfund Trust Fund¹, and special account closures (collectively referred to as "actions" unless otherwise noted).

The management, oversight, and completion of reclassifications and transfers to the Trust Fund was identified by the Office of Inspector General's (OIG) March 2009 report, *Improved Management of Superfund Special Accounts Will Make More Funds Available for Clean-ups*, as an area needing improvement.² Recommendation 1(c) in the OIG's 2009 report required the Agency to develop regional and Headquarters controls that include follow-up to make sure planned and/or requested uses (e.g., reclassifications, transfers) of special account funds occur, and document these controls in appropriate guidance.

II. PURPOSE

The purposes of this review are to ensure appropriate controls are in place and identify recommendations for improvement in the reclassification, transfer to the Trust Fund, and account closure processes, as appropriate.

The following questions were identified to assess if there are adequate controls in EPA's current process for planning, requesting, and completing reclassifications, transfers to the Trust Fund, and account closures.

- Are planned reclassifications, transfers to the Trust Fund, and account closures completed in the fiscal year originally planned?
- Does follow-up occur for planned reclassifications, transfers to the Trust Fund, and account closures that are not completed?
- Does Headquarters receive notifications for all requested reclassifications, transfers to the Trust Fund, and account closures in order to track their completion?
- Does follow-up occur when requested reclassifications, transfers to the Trust Fund, and account closures are not completed?

III. PRIOR REVIEWS

As part of the FY 2010 FMFIA process, OSRTI evaluated the accomplishment of actions against what was planned in the Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS) for FY 2009 and FY 2010. For those actions that were not accomplished in FY 2009 and FY 2010, OSRTI identified why those actions did not occur based on the available planning data and information from regions.

OSRTI's review in FY 2010 found that planning for special account actions had improved since initial data entry in the fall of 2008. The total number of accounts and dollar amounts reclassified and

¹ For the purposes of this analysis and review, transfers to the general portion of the Superfund Trust Fund include receipts transferred to the Superfund Trust Fund and special account interest liabilities reduced and made available for appropriation.

² The OIG's 2009 report can be found at <http://www.epa.gov/oig/reports/2009/20090318-09-P-0119.pdf>.

transferred to the Trust Fund, and accounts closed, increased from FY 2009 to FY 2010. However, all planned actions were not completed in the fiscal year they were originally planned.

OSRTI's review also found that the average amount reclassified and transferred per account declined in FY 2010. As a result, more actions were completed but were on average for smaller amounts. At that time, formal notification memorandums were required for all reclassification and transfer to the Trust Fund requests.

The analysis supported a recommendation approved by the Special Accounts Senior Management Committee (SASMC), and documented in the "Model Notifications to Headquarters of Milestone Special Account Transactions" memorandum (April 22, 2011) ("2011 Model Notifications"), to require formal notification via memorandum for reclassifications and transfers to the Trust Fund when those actions were \$200K or more, or notification by carbon copy on emails requesting the Cincinnati Finance Center (CFC) to complete actions less than \$200K. Regions also were only required to copy Headquarters on emails requesting CFC to complete account closures rather than submitting formal memorandums for those actions as well.

IV. AVAILABLE DATA AND REQUIREMENTS

Plans for Reclassifications, Transfers to the Trust Fund, and Account Closures

The release of the 2008 Special Account Management planning screen in CERCLIS allowed comprehensive planning for the use of special accounts in a systematic manner, including planning for reclassifications, transfers to the Trust Fund, and account closures in accordance with guidance. Planning data for special accounts may be updated on a continual basis by the regions as site conditions change, but at a minimum these data are updated during work planning conducted at the beginning of the fiscal year and mid fiscal year reviews. The planning data used for this analysis was from work planning and mid-year data pulls from the beginning of FY 2009 to the end of FY 2014, with the exception of mid-year data during FY 2014.³ Special account planning data was not available during mid-year FY 2014 due to the Superfund program's transition from CERCLIS to the Superfund Enterprise Management System (SEMS).

Notification Requirements

The purpose of notifications is to inform Headquarters of requests for reclassifications, transfers to the Trust Fund, and account closures for each account in order to monitor and oversee the disposition of special account resources not needed for future work at a site, as well as to enable central tracking of requests.

In 2002, the "Consolidated Guidance on the Establishment, Management and Use of CERCLA Special Accounts" ("Consolidated Guidance") required regions to notify Headquarters prior to transferring special accounts funds to the general portion of the Superfund Trust Fund. In 2005, the "Superfund Special Accounts Closeout Procedures" (Sept. 28, 2005) issued by OCFO required regions to notify Headquarters prior to closing a special account. In 2009, the "Revised Guidance on Reclassification of

³ Regions updated planning data in CERCLIS three times a year (summer work planning, beginning of fiscal year work planning, and mid fiscal year) from FY 2009 to FY 2011. In FY 2012, regions were required to update planning data in CERCLIS/SEMS twice a year (beginning of fiscal year and mid fiscal year).

Superfund Special Accounts” (January 23, 2009) required regions to submit a reclassification justification memorandum to Headquarters prior to completing a reclassification.

The requirements for notifications of reclassifications, transfers to the Trust Fund, and account closures were updated in the 2011 Model Notifications memorandum.⁴ The 2011 Model Notifications memorandum requires formal notification via memorandum for reclassifications and transfers to the Trust Fund when those actions are \$200K or more. The memorandum provides the site history, settlement history, future work remaining at the site, and how the funds will be recertified (reclassifications only) and is to be sent to the office directors of OSRTI and Office of Site Remediation Enforcement (OSRE), Office of Emergency Management (OEM) if the funds reclassified are from removal activities with carbon copies to the director of the Office of Budget, director of CFC, and director of the Program Costing Staff in the Office of Financial Management (OFM), as well as various staff in these offices. For reclassifications and transfers to the Trust Fund less than \$200K, notification requirements are met by requesting CFC to complete actions less than \$200K and copying staff in the offices listed above on emails. Regions also are only required to copy Headquarters on emails requesting CFC to complete account closures.

During the OIG’s review of special accounts in 2007 to 2009, the OIG identified a regional reclassification request submitted to Headquarters that had never been completed. As a result, funds identified as no longer needed for future work at the site remained in the special account and the funds were not made available for other uses in a timely manner. Recommendation 1(c) in the OIG’s report, *Improved Management of Superfund Special Accounts Will Make More Funds Available for Clean-ups*, required the Agency to develop regional and Headquarters controls that include follow-up to make sure planned and/or requested uses (e.g., reclassifications, transfers) of special accounts funds occur, and document these controls in appropriate guidance. The SASMC, and OSRTI on its behalf, is responsible for tracking these notifications to ensure that the funds are used in a timely manner. OSRTI developed a tracking sheet to document planned actions in CERCLIS/SEMS, draft and final notification memos received, and actions completed in the financial system. The tracking sheet is updated quarterly and provided to regional Superfund Division Directors and the SASMC to keep them apprised of planned and completed actions.

Completion of Reclassifications, Transfers to the Trust Fund, and Account Closures

Regions develop the accounting line changes for reclassifications, and send that information to CFC for entry into the financial system. CFC also is responsible for transferring funds to the Trust Fund (receipts and interest) and closing special accounts.

V. FY 2015 ANALYSIS

OSRTI reviewed planning data from CERCLIS and SEMS, logs and excel spreadsheets maintained by OSRTI staff to track draft and final notifications received, and data from the Compass Data Warehouse (CDW) and Compass Business Objects Reporting (CBOR) for transactions completed.

⁴ The “Model Notifications to Headquarters of Milestone Special Account Transactions” memorandum (April 22, 2011) can be found at <http://www2.epa.gov/enforcement/guidance-notification-process-milestone-special-accounts-transactions>.

Review of Planning Data in CERCLIS/SEMS and Completed Actions

OSRTI reviewed available data to identify how many reclassifications, transfers to the Trust Fund, and account closure actions were completed or not completed in the fiscal year the action was planned. Of the actions planned and not completed, OSRTI further analyzed the data to identify the number of accounts where the action was planned for the following fiscal year or the funds were planned or used for a different use.

From FY 2009 – FY 2014, on average:

- Of the reclassifications planned in a given fiscal year
 - 50% of the accounts completed a reclassification
 - 50% of the accounts did not complete a reclassification
 - 31% were planned for the following fiscal year
 - 19% were planned/used for a different use
- Of the transfers to the Trust Fund planned in a given year
 - 38% of the accounts completed a transfer
 - 62% of the accounts did not complete a transfer
 - 28% were planned for the following fiscal year
 - 34% were planned/used for a different use
- Of the account closures planned in a given year
 - 35% of the accounts completed the closure
 - 65% of the accounts did not complete the closure
 - 36% were planned for the following fiscal year
 - 29% remained open and the account no longer planned for closure

Figures 1 – 3 in the appendix depict how planned actions each fiscal year for reclassifications (Figure 1), transfers to the Trust Fund (Figure 2), and account closures (Figure 3) were accounted for.

Despite efforts to streamline the notification requirements in FY 2011, the percentage of planned actions completed in a given fiscal year has remained relatively steady. On average, approximately one-third of planned actions each fiscal year were not completed and the plan moved to the following fiscal year. This percentage improved slightly over time, but not significantly after revised notification requirements were issued in FY 2011. In addition, there has been no noticeable sustained shift in the number of actions completed for less than \$200K versus greater than \$200K based on the change in memorandum requirements in FY 2011 (see Figure 6 in the appendix).

Highlight: *Further streamlining notification requirements may improve the percentage of planned actions completed in a fiscal year, although further discussion with the regions would be needed to verify this assessment.*

In accordance with the Special Accounts Data Monitoring Plan, regions and Headquarters update and review plans for using available special account funds at a minimum of twice a fiscal year. This review helps to ensure the funds are planned for future use at the site or planned for reclassification and/or transfer to the Trust Fund if not needed for future work at the site, and funds are planned in accordance with guidance. In addition, regions and Headquarters review accounts, particularly those with low balances, to identify accounts that may be ready for closure if no additional deposits are

anticipated into the account and/or there are minimal future costs EPA expects to incur at the site. Through this process, regions may update or modify their plans based on the best information available at the time. If the funds are removed from the reclassification or transfer to the Trust Fund planning fields, they have either been used for work at the site and are no longer available, or have been planned for a different use at the site consistent with guidance. Review and follow-up of planned actions removed from the reclassification, transfer to the Trust Fund, and account closure planning fields occurs, as necessary, through the work planning and mid-year review processes outlined in the Special Accounts Data Monitoring Plan.

Highlight: *The work planning and mid-year review process outlined in the Special Accounts Data Monitoring Plan provides adequate controls to ensure plans changed from reclassification, transfer to the Trust Fund, and/or account closure to a different use are appropriate and consistent with guidance.*

Review of Notifications to Headquarters

OSRTI reviewed available data to identify for which completed actions Headquarters did or did not receive a notification prior to the action being completed. OSRTI also reviewed, of the notifications it did receive, how many actions were completed and not completed in the fiscal year the notification was first received.

From FY 2009 – FY 2014, on average Headquarters received notifications for:

- 100% of reclassifications completed
- 88% of transfers to the Trust Fund completed
- 88% of account closures completed

Headquarters receives notifications for requested actions via emails and/or formal memorandums. While Headquarters did receive notifications for the vast majority of actions completed, there were actions completed where Headquarters was not notified. Without being notified, Headquarters cannot assure that all requested actions were completed or follow-up conducted. Of the notifications not received by Headquarters, all were for actions less than \$200K, indicating that regions may have forgotten to cc Headquarters when requesting CFC to complete the action. In addition, some actions completed, particularly transfers to the Trust Fund, where Headquarters was not notified were for funds in accounts where an action had been done previously or the account was already closed and CFC made a correction.

It is important to note that Headquarters manually tracks receipt of notifications through written logs and excel files. While Headquarters takes great care to ensure information is reported accurately, the manual tracking process provides greater opportunity for error. For example, Headquarters could incorrectly record receipt of a notification, or not record receipt of a notification. There were also some cases where a notification memorandum had been signed in a prior fiscal year but not submitted in that fiscal year, complicating the date of when the region actually requested an action to be done.

The notifications reviewed for this analysis were only those received by OSRTI. In some cases, once Headquarters acknowledges receipt of the notification, a separate request may be sent by the region

to CFC to actually process the requested action. CFC separately tracks requests sent to them for the actual processing of requested actions.

Figure 4 in the appendix provides the number of actions completed each fiscal year. The chart also details how many notifications were received and were not received by Headquarters.

Highlight: *The notification/request tracking process could be improved to make it more centralized and transparent for regions, Headquarters, and CFC.*

Of the notifications Headquarters received from FY 2009 – FY 2014:

- 7 reclassification notifications were received but not completed in the same fiscal year.
 - 5 were completed in the following fiscal year.
 - 2 were not completed in the following fiscal year.
- 21 transfer to the Trust Fund notifications were received but not completed in the same fiscal year.
 - 17 were completed in the following fiscal year.
 - 4 were not completed in the following fiscal year.
- 13 account closure notifications were received but not completed in the same fiscal year.
 - 4 were completed in the following fiscal year.
 - 8 were not completed in the following fiscal year.

Figure 5 in the appendix breaks down the information on notifications received by Headquarters to show how many actions were not completed in the original fiscal year received, and how many actions from the immediately prior fiscal year were completed the following year. In general, most actions not completed in the fiscal year originally received were completed in the following fiscal year (typically during 1st quarter of the following fiscal year), with a few exceptions. Particularly for account closures, delays in processing resulted from reconciling the special account remaining balance to ensure the appropriate amount to be transferred was appropriate before closing the account. There were also instances where regions had signed memorandums, but the region may not have sent and/or Headquarters may not have received the notification the year the memorandum was signed. OSRTI's analysis was generally based on the year a memorandum was received and the date on the memorandum, but OSRTI did have some difficulty determining the year when actual notification was received for some accounts.

Typically OSRTI has identified prior year notifications not completed in the following fiscal year tracking spreadsheets. The tracking spreadsheet does not log the reason why a notified action may not have been completed.

Highlight: *The notification/request tracking process could be improved by including the reason notified actions are not completed to ensure follow-up is conducted on requests not completed.*

VI. CONCLUSION AND RECOMMENDATIONS

The current work planning and mid-year review process outlined in the Special Accounts Data Monitoring Plan provides adequate controls to monitor changes to planned reclassifications, transfers

to the Trust Fund, and account closures to other uses for a site. Headquarters reviews the majority of special accounts and plans for use during work planning and mid-year reviews, and the regions are required to enter a plan for the use of funds that is most appropriate at that time. Any unplanned amounts for special accounts are reviewed by Headquarters and the regions. Headquarters also reviews accounts with low balances for possible closure opportunities, while also taking into consideration future deposits expected into the account and unliquidated obligations that need to be expended. These reviews ensure the funds are planned for use based on current site information and consistent with guidance.

There are improvements that can be made to the notification and tracking process. OSRTI receives all notifications via email and/or formal memorandums. They are manually logged by OSRTI in an internal log book and tracking spreadsheet. Completion of actions also are manually logged by OSRTI in a tracking spreadsheet. CFC separately tracks requests it receives and completes.

Typically OSRTI has identified prior year notified actions not completed in the following fiscal year tracking spreadsheets. OSRTI has not tracked in its spreadsheets and logs why notified actions may not have been completed. As a result, there are not adequate controls in the current process to ensure follow-up is conducted by OSRTI on notified actions not completed.

OSRTI will recommend to the SASMC the following actions based on this review:

- Centralize and automate the notification/request process through the use of SEMS or SharePoint. This will ensure better internal controls of requested and completed actions. As an example, the process could be automated as follows:
 - Region enters/updates planned reclassification/transfer/closure actions in SEMS.
 - Region submits completed checklist/form requesting action (see below) in SEMS/SharePoint.
 - OSRTI/OSRE/OEM are notified of a request being entered for review/approval.
 - OSRTI/OSRE/OEM review request. Comments/questions are sent back to the region for response/revision within SEMS/SharePoint.
 - OSRTI/OSRE/OEM approve request.
 - CFC is notified of a request being reviewed/approved by Headquarters and completes requested action.
 - CFC enters completion of request and/or any notes, including follow-up with region or reason a request cannot be completed.
 - Develop report that can be generated automatically to show planned actions, requested actions, and status of requested actions.
- Include in the tracking of requested actions the reason it is not completed.
- Develop a checklist/form for regions to complete for all requests for reclassifications, transfers to the Trust Fund, and account closures. The checklist/form would include a paragraph on future work remaining at the site, who will conduct it, and remaining EPA costs anticipated to be incurred at the site and amount remaining in the special account. Information on site history and actions taken to date will also be provided.
- Discuss with the SASMC and the regions the appropriate level of approval/notification for reclassification and transfer to the Trust Fund requests in the regions and Headquarters.

VII. APPENDIX

The following charts and tables provide data supporting the analysis reported.

Figure 1. Disposition of Planned Reclassifications by Fiscal Year

Fiscal Year	Accounts with Reclassifications Planned	Completed	%	Not Completed - Plan Moved to Following FY	%	Not Completed - Use of Funds Changed	%
2009	59	18	31%	31	53%	10	17%
2010	75	41	55%	22	29%	12	16%
2011	63	32	51%	21	33%	10	16%
2012	90	61	68%	16	18%	13	14%
2013	72	39	54%	21	29%	12	17%
2014	51	22	43%	13	25%	16	31%
Average	68	36	50%	21	31%	12	19%

Figure 2. Disposition of Planned Transfers to the Trust Fund by Fiscal Year

Fiscal Years	Accounts with Trust Fund Transfers Planned	Completed	%	Not Completed - Plan Moved to Following FY	%	Not Completed - Use of Funds Changed	%
2009	41	8	20%	14	34%	19	46%
2010	51	23	45%	18	35%	10	20%
2011	49	26	53%	12	24%	11	22%
2012	47	10	21%	12	26%	25	53%
2013	40	19	48%	11	28%	10	25%
2014	26	11	42%	6	23%	9	35%
Average	42	16	38%	12	28%	14	34%

Figure 3. Disposition of Planned Account Closures by Fiscal Year

Fiscal Years	Account Closures Planned	Completed	%	Not Completed - Plan Moved to Following FY	%	Not Completed - Planned Closure Eliminated	%
2009	54	9	17%	30	56%	15	22%
2010	67	28	42%	17	25%	22	28%
2011	68	33	49%	14	21%	21	34%
2012	45	13	29%	15	33%	17	30%
2013	82	34	41%	34	41%	14	15%
2014	55	19	35%	N/A*	N/A*	N/A*	N/A*
Average	62	23	35%	22	36%	18	29%

**Regions were not required to identify account closures during FY 2015 work planning updates for special accounts due to the transition from CERCLIS to SEMS.*

Figure 4. Notifications Received by HQ for Completed Reclassification/Transfers to the Trust Fund/Account Closures

	2009	2010	2011	2012	2013	2014	Average	Average %
Reclassifications								
Completed	19	41	37	99	45	37	46	
<i>Notification Received</i>	19	41	36	98	45	37	46	100%
<i>Notification Not Received</i>	0	0	1	1	0	0	0	0%
Transfers to the Trust Fund/Interest Reductions								
Completed	11	37	52	23	41	34	33	
<i>Notification Received</i>	10	34	45	23	33	29	29	88%
<i>Notification Not Received</i>	1	3	7	0	8	5	4	12%
Account Closures								
Completed	12	38	49	31	52	41	43	
<i>Notification Received</i>	N/A*	N/A*	49	31	38	35	38	88%
<i>Notification Not Received</i>	N/A*	N/A*	0	0	14	6	5	12%

*OSRTI did not track requests for account closures until FY 2011.

Figure 5. Completion Status of Current and Prior Year Notifications Received

	2009	2010	2011	2012	2013	2014	Total
Reclassifications							
Notification Received and Not Completed (Current FY)	2	0	3	1	1	0	7
Prior Year Notification Completed	N/A*	2	0	2	0	1	5
Prior Year Notification Not Completed	N/A*	0	0	1	1	0	2
Transfers to the Trust Fund/Interest Reductions							
Notification Received and Not Completed (Current FY)	1	12	3	4	1	0	21
Prior Year Notification Completed	N/A*	1	12	2	1	1	17
Prior Year Notification Not Completed	N/A*	0	0	1	3	0	4
Account Closures							
Notification Received and Not Completed (Current FY)	N/A*	N/A*	3	8	1	1	13
Prior Year Notification Completed	N/A*	N/A*	N/A*	2	1	1	4
Prior Year Notification Not Completed	N/A*	N/A*	N/A*	1	7	0	8

*OSRTI did not begin tracking notifications received until FY 2009, with the exception of account closures which OSRTI did not begin to track until FY 2011.

Figure 6. Reclassifications and Transfers to the Trust Fund Completed

	2009		2010		2011		2012		2013		2014		Average	
Reclassifications less than \$200K														
\$ in M	\$0.3	2%	\$1.4	5%	\$1.0	1%	\$5.1	10%	\$1.6	4%	\$0.8	2%	\$1.7	4%
# accounts	3	16%	19	46%	13	35%	50	51%	21	47%	9	24%	19	37%
Reclassifications greater than \$200K														
\$ in M	\$14.1	98%	\$24.8	95%	\$71.6	99%	\$48.4	90%	\$37.2	96%	\$34.0	98%	\$38.3	96%
# accounts	16	84%	22	54%	24	65%	48	49%	24	53%	28	76%	27	63%
Total Reclassifications														
\$ in M	\$14.4		\$26.2		\$72.5		\$53.4		\$38.8		\$34.8		\$40.0	
# accounts	19		41		37		98		45		37		46	
Transfers less than \$200K														
\$ in M	\$0.3	2%	\$0.6	20%	\$0.5	7%	\$0.4	4%	\$0.3	8%	\$0.7	20%	\$0.5	10%
# accounts	7	64%	33	89%	45	87%	20	87%	36	88%	33	97%	29	85%
Transfers greater than \$200K														
\$ in M	\$12.7	98%	\$2.2	80%	\$7.0	93%	\$8.2	96%	\$3.7	92%	\$2.6	80%	\$6.1	90%
# accounts	4	36%	4	11%	7	13%	3	13%	5	12%	1	3%	4	15%
Total Transfers														
\$ in M	\$13.0		\$2.8		\$7.5		\$8.6		\$4.1		\$3.3		\$6.5	
# accounts	11		37		52		23		41		34		33	